

Perspectives+

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The Spotlight: Valuation Support

Market turmoil shines a light on valuation support services.

As the credit crunch continues to play out across debt markets and investors step up the level of scrutiny placed on their alternative fund managers, valuation issues have once again been pushed into the financial spotlight.

"Far too much reliance has been placed on valuing securities using internal valuation models that were not regularly tested against actual market trades," said Daniel Johnson, global valuation manager for LaCrosse Global Fund Services. "Most hedge funds are scrutinizing their month-end pricing much more closely as they are receiving many more inquiries from their investors about their valuation process."

These investors – specifically large pension funds and institutional investors - are causing a shift in the way valuation issues are handled within the industry. The considerable assets they bring to the table have given them the power to demand

increased transparency and independence in the valuation support provided to managers.

This has left a surprisingly large number of managers scrambling to reinforce their valuation support - at the recent Valuation of Hard-to-Value Securities conference in New York, it was suggested that as many as 80 percent of hedge funds still do not have a detailed valuation policy in place. This number will undoubtedly have to drop if funds want to continue to attract the more sophisticated investors that expect a *(continued on page four)*

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- Daniel Johnson
Global Valuation
Manager, LaCrosse
Global Fund Services

Hedge Funds Give a Helping Hand

LaCrosse partners with Habitat for Humanity NYC on "green" housing initiative.

During fall 2007, LaCrosse Global Fund Services agreed to be the anchor sponsor of Hedge Funds for Habitat - NYC, a unique philanthropic initiative in the hedge fund community that aims to assist Habitat for Humanity in providing hard-working, low-income New York City families with a once-in-a-lifetime home ownership opportunity.

Championed by Stuart Feffer, co-CEO of LaCrosse, Hedge Funds for Habitat is helping to raise funds for the organization's work in New York. LaCrosse has been calling on supporters from hedge funds, *(continued on page three)*



LaCrosse Co-CEO Stuart Feffer lends a hand at the Atlantic Avenue multi-family complex.

The LaCrosseLink+ Client Workstation

As the needs of our clients become increasingly sophisticated, LaCrosse Global Fund Services remains dedicated to providing a full-service offering that allows alternative investment managers the freedom to focus on investment activities, without having to devote significant time and manpower to operational and administrative tasks. The latest enhancements to the LaCrosseLink+ client workstation were designed with that thought in mind. Powerful, easy to use reporting tools, improved cash and collateral management functions, automated trade capture and various other upgrades make the software's latest release the most significant to date.

The LaCrosseLink+ client workstation is designed to help hedge fund managers who use operations and administrative services from LaCrosse capture complex trades and report positions on a timely basis. The rollout, which began in late October, is in its final stages and is expected to continue with further enhancements throughout 2008.

The enhancements made to the latest version of the LaCrosseLink+ client workstation were a

“LaCrosseLink+ can now provide our clients with online, intra-day access to all of the information they need regarding fund operations and administration.”

- Michael Carpenter
Global Head of Product Development,
LaCrosse Global Fund Services

result of interaction with current clients and existing users of the software. Feedback and suggestions provided a solid framework by which a build-out of the technology was possible, as many of the enhanced features included in this release existed as more basic functions in previous versions of LaCrosseLink+. Roll-up and drill-down reporting, links to trading systems, spreadsheet upload and download, and a full set of operational, P&L and month-end reporting features have all seen significant upgrades in response to user feedback. In addition, func-

tionality and overall ease-of-use is greatly improved, resulting in a simple and intuitive platform, allowing fund managers to concentrate on what they do best - manage money.

“The LaCrosse Global Fund Services team is committed to providing all of our clients with a full-service offering that allows them to focus on investment activities instead of infrastructure developments,” said Michael Carpenter, head of Product Development for LaCrosse Global Fund Services. “LaCrosseLink+ can now provide our clients with online, intra-day access to all of the information they need regarding fund operations and administration.”

Specific components of LaCrosseLink+ include: automated trade capture from execution platforms, trading systems and portfolio management systems; import/export from Microsoft Excel®, both for trade upload and report download; P&L drill-down and roll-up capabilities; online access to a full set of intra-day operational information, daily P&L reports, and month-end documentation; and corporate action notification posting.

For more information about the LaCrosseLink+ client workstation, or to receive a full demonstration, please call +1-212-510-2955 or email info@lacrosseglobal.com.



Standard Reports

Profit and Loss Reports

- + By fund
- + By strategy
- + By position
- + By geography
- + By trader

Valuation Support Reports

- + Unpriced positions
- + Stale pricing
- + Price change tolerance
- + Price variance
- + Monthly NAV valuation detail

Operational Reports

- + Failed trades
- + Reconciliation (cash; securities; futures; CFDs)
- + Cancels and corrects
- + Pending settlements
- + Corporate actions
- + Unconfirmed trades
- + OTC aging

Cash and Collateral Management Reports

- + Cash projections
- + Cash balances
- + Cash balances and activity
- + Posted / received collateral by counterparty
- + Cash counterparty exposure
- + Collateral counterparty exposure

Position and Transaction Reports

- + Holdings
- + P&S Journal
- + Settlements

Month End Support Reports

- + Performance returns
- + Monthly transactions
- + Monthly fees
- + Trial balance
- + Balance sheet
- + NAV summary
- + Contributions and redemptions
- + Realized gain / loss

... Helping Hand

(continued from page 1)

private equity firms and the service provider community who recognize that there are many low-income families in New York City living in unsafe and overcrowded conditions whose lives will be forever changed with a Habitat home.

Most immediately, donations generated through Hedge Funds for Habitat will help Habitat-NYC to complete a 41-unit affordable housing complex on Atlantic Avenue in Brooklyn, NY. Working together with the hedge fund community, LaCrosse is raising funds that will give 41 hard-working families a safe place to live and the opportunity to build secure futures for themselves and their children.

“Our initial goal is to help Habitat-NYC give 41 hardworking families the opportunity to realize their dreams of home ownership and the ability to secure their future,” says Feffer. “Hedge fund professionals know that investing in human capital is key to the success of our industry - and our city. Safe, decent and affordable homes will help New York’s working families to thrive, and that helps all of us flourish.”

To celebrate the launch of the Hedge Funds for Habitat campaign, LaCrosse was invited to ring



Stuart Feffer accepts the New Partnership Award on behalf of LaCrosse at the Habitat - NYC Builders Awards Dinner, November 2007.

the opening bell at the New York Stock Exchange alongside Habitat - NYC in October. Early supporters of the campaign were also present at the bell ringing ceremony, and included guests from Prince Street Capital Management, Investor Analytics and Advent Software.



LaCrosse and friends ring the opening bell at the NYSE in support of Habitat for Humanity.

In recognition of LaCrosse’s efforts, Habitat-NYC honored LaCrosse at the Habitat for Humanity 8th Annual Builder Awards in New York City during which LaCrosse was presented with the New Partnership Award for the Hedge Funds for Habitat initiative. “Habitat-NYC is proud to partner with LaCrosse Global Fund Services and New York City’s hedge fund industry,” said Josh Lockwood, executive director of Habitat-NYC. “This unique collaboration unites hedge fund leaders – among the most innovative thinkers and doers in New York City – with an innovative housing initiative that addresses one of our city’s most pressing problems.”

Habitat - NYC is the New York affiliate of Habitat for Humanity International, an organization dedicated to building affordable homes for families in need. The condominium building on Atlantic Avenue in Brooklyn is currently the largest and “greenest” multifamily complex ever constructed by any Habitat affiliate. The four-story building is a \$13 million state-of-the-art complex designed by Dattner Architects, and is

being constructed with environmentally friendly materials and energy-efficient design that will allow homeowners to keep energy costs low. The complex is expected to qualify for LEED (Leadership in Energy and Environmental Design) rating.

Volunteers began working on the complex in September 2007 and completion is expected in 2009. Living up to the Habitat motto “we give a hand up, not a handout,” future homeowner families are working alongside volunteers to construct their own simple, decent and affordable homes. The Hedge Funds for Habitat campaign is helping to underwrite the recruitment, selection and financial literacy training of the 41 first-time home buyers and is helping to enable Habitat-NYC to complete these “green” condominiums.

To learn more or to make a secure online gift, visit www.habitatnyc.org/hedgefundsforhabitatnyc.

LaCrosse is proud to sponsor Hedge Funds for Habitat - NYC



The Spotlight: Valuation Support (continued from page 1)

hedge fund to have a well-organized and documented valuation process.

"Whenever possible, we continue to follow industry standards when carrying out valuation work on behalf of our clients," said Johnson. "We realize that in times of market turmoil it is essential that investment managers adhere to the valuation policies and procedures that are in place."



Daniel Johnson, LaCrosse

At LaCrosse Global Fund Services, the valuation team seeks to ensure that clients' valuation policies are up-to-date, reviewed regularly and cover securities currently traded. LaCrosse is able to provide managers with the institutional quality valuation support that they require at a fraction of the cost, and the dedicated valuation team provides expertise on valuing complex securities, monitors com-

pliance with valuation policies, and provides exception reporting.

"We try to go beyond the minimum expected of us by regularly bringing valuation issues or concerns that we have to the attention of the investment manager," says Johnson. "Sometimes a fund may trade in a security that is not adequately covered by the valuation process. In these cases we will try to draw this to the attention of the IM and propose a solution to the problem."

The valuation team at LaCrosse typically places pre-month-end calls with fund managers to ensure that possible valuation issues have been identified before month-end. Those issues that have been identified at month-end are brought to the attention of the fund manager, increasing the likelihood of a quick resolution, while decreasing the likelihood of impacting NAV when it is published.

In addition, LaCrosse's in-house valuation committee meets monthly to review policies and procedures. Daily valuations for all exchange traded, published or modeled positions (where

inputs are published) can be requested as needed by the fund manager, along with valuations for instruments that require solicited broker quotes. Price history analysis is performed for clients when necessary, which helps to identify securities with large month-end price moves, securities with wide bid-ask spreads and securities where two broker quotes were used that were not in sync. The team will meet regularly with the fund's auditors to give them a better understanding of the role of the administrator in the valuation process and become comfortable with the controls that surround the production of the NAV.

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- Daniel Johnson
Global Valuation
Manager, LaCrosse Global Fund Services

Calendar of Events

January 14th - 15th — Hedge Funds 101 & 102 The Harvard Club, New York City
Don Murphy, Director and Global Head of Client Service for LaCrosse, speaks on "Understanding Valuation Techniques for Complex Securities and Portfolios".

January 23rd - 25th — GAIM USA Boca Raton Resort & Club, Boca Raton, Florida
Visit the LaCrosse exhibition booth

February 26th — Securities Operations Forum's Hedge Funds Operations and Processing Conference Bayard's - New York City
Stuart Feffer, Co-CEO, LaCrosse Global Fund Services, speaks on "Outsourcing Hedge Funds Processing Services".

March 21st — Hedge Funds for Habitat Build Day Atlantic Avenue, Brooklyn, New York
Join LaCrosse and friends as they lend a helping hand at the Atlantic Avenue condominium complex.

March 31st - April 2nd — GAIM Asia JW Marriot, Hong Kong
Visit the LaCrosse exhibition booth

April 14th - 16th — GAIM Cayman The Ritz Carlton, Cayman Islands
LaCrosse Co-CEO Christopher Kundro speaks on "Conducting Due Diligence on Emerging Market Fund Managers".

April 16th - 18th — Eurohedge Summit 2008 Paris, France
Visit the LaCrosse exhibition booth

LaCrosse in the News

A roundup of news stories and press coverage on LaCrosse Global Fund Services. Click on the links below to open the articles in your web browser.

- + [LaCrosse scores 6.23 out of a possible 7.00 in Global Custodian's 2007 Hedge Fund Administration Survey](#)

- + [View LaCrosse co-CEO Chris Kundro's appearance on Bloomberg TV - December 24th, 2007](#)

- + [Hedge Fund Industry Joins Forces With Habitat for Humanity - New York City; Hedge Funds for Habitat - NYC to Raise Funds for NYC Affordable Homes](#)

- + [LaCrosse Global Fund Services Launches the LaCrosseLink+\(SM\) Client Workstation](#)

About LaCrosse Global Fund Services

LaCrosse Global Fund Services is a provider of operations, middle-office and administration services to managers of complex hedge funds globally. The firm has more than 300 employees in 10 global office locations: Bogota, Buenos Aires, Caracas, Istanbul, London, Minneapolis, Moscow, New York, Sao Paulo and Singapore.

Current assets under administration and supported operationally are in excess of USD \$14 billion, encompassing strategies traded by global portfolio managers who cover global equities, fixed income, commodities, currencies, emerging markets and related derivatives.

LaCrosse began as a spinout of the middle- and back-office operations that had supported Black River Asset Management and, prior to that, Cargill Global Capital Markets. Today it is an independently managed subsidiary of Cargill providing services to the alternative investment industry. For more information, visit LaCrosse at www.lacrosseglobal.com.

To see a complete list of asset classes supported by LaCrosse Global Fund Services, please click [here](#).

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